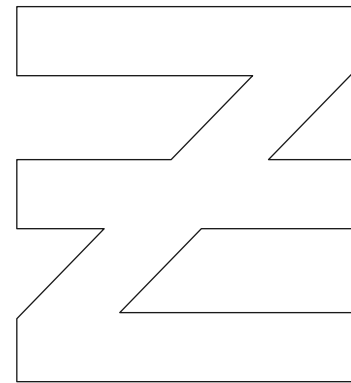


# Ellerston Pre-IPO Fund



## Performance Report, June 2023

### Investment Objective

The investment objective of the Fund is to generate a positive return above a Hurdle Return of 6% p.a. net of fees.

### Investment Strategy

The Manager uses a fundamental, research driven investment strategy to provide returns above the Hurdle Return that are not correlated to listed equity markets. The Manager undertakes fundamental research to selectively identify and invest in quality companies focus on investments in Pre-IPO, IPO, Unlisted Expansion Capital and Listed Microcap Companies, predominantly in Australia but also covering OECD and developed countries.

### Key Information

<b>Inception Date*</b>	31 March 2020
<b>Portfolio Manager(s)</b>	David Keelan & Alexandra Clarke
<b>Application Price</b>	\$0.7410
<b>Net Asset Value</b>	\$0.7410
<b>Redemption Price</b>	\$0.7410
<b>No Stocks</b>	18
<b>Hurdle Return</b>	6% p.a. net of fees
<b>Management Fee</b>	1.50%
<b>Performance Fee</b>	20% of the investment return above the Hurdle Return for each financial year, calculated and accrued quarterly
<b>Distributions</b>	Annually

### Market Commentary

The June quarter saw the S&P/ASX Small Ordinaries (XSO) decline 1% for the period. April saw the equity markets rally on the back of a pause in interest rates that month by the Reserve Bank of Australia (RBA) and signs that global inflation was on a downward trajectory. This rally was more than given back in May after the RBA hiked 25bp, along with concerns overseas around the US debt ceiling. June closed flat for the month, with the RBA hiking by another 25bp and signs of a weakening domestic consumer emerging. The activity in M&A continued over the quarter, with takeovers such as Blackmores, Silk Laser, PointsBet's US business and DDH1 occurring over the quarter.

Overall, for the financial year, the XSO gained 8% for FY23, after experiencing a decline of 25% in the second half of FY22. The markets whipsawed throughout FY23, largely driven by inflation prints and implications for terminal cash rate expectations. While we have likely seen peak inflationary levels in this cycle, it has proven extremely sticky despite supply chains easing and rapid-fire rate hikes. Liquidity at the smaller end of the market remains constrained, with the XSO up 8% for the year lagging the ASX 100 which rose by over 15%.

### Fund News

During the June quarter the Ellerston Australian Pre-IPO Fund generated a return of 0.57%. At the end of the quarter, ~11.1% of the book was listed and exposed to market movements. We had one realisation during the quarter of Influential. After a long period of very quiet ECM conditions, the last quarter saw market sentiment towards primary/secondary deals improve. As mentioned above, we continued to see decent takeover activity over the quarter. No distributions were paid during the quarter, with cumulative distributions of A\$0.392 paid since inception.

### June Update

Fiscal 2023 in listed markets continued the whipsaw that we saw in the previous year. While the Small Ordinaries were up 8% for the year, the market was largely range bound and volatility continued throughout the year. Macroeconomic data around inflation, the labour force and economic conditions continues to impact the outlook for monetary policy and the terminal cash rate for this cycle, which continues to swing the market and particular sectors. An interesting trend that we saw in the second half of this financial year was the rebound in technology stocks. We think this is a function of the nearing of the rate hiking cycle, combined with investors seeking higher levels of growth relative to traditional industrial businesses that face significant inflation in input, labour and debt costs.

Despite some more positive signs emerging in recent months, market conditions and equity capital markets remained constrained. Our cautious approach is reflected in the limited number of new investments completed over the financial year. We continue to believe we are well placed to capitalise on businesses that require additional growth capital in a tougher

### Performance Summary

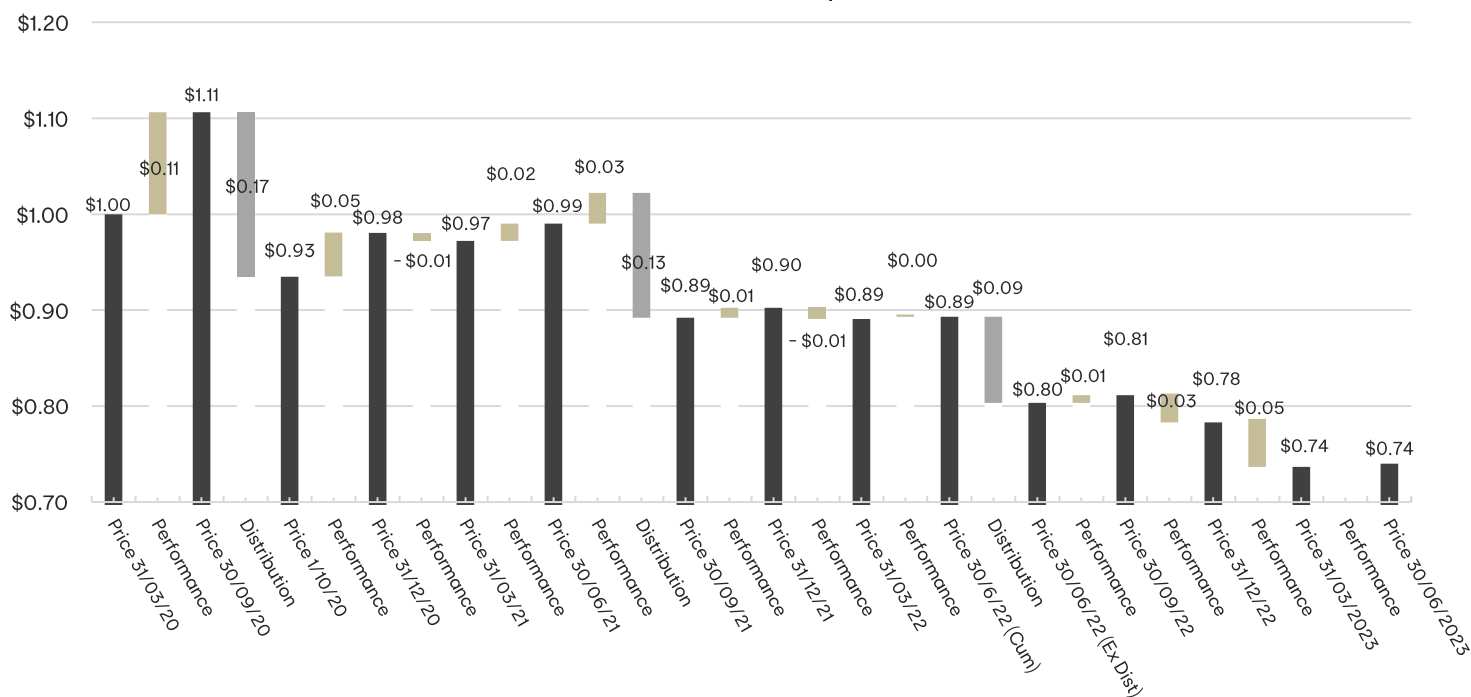
Performance	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception (p.a.)*
Ellerston Pre-IPO Fund <sup>^</sup>	0.57%	-5.36%	-7.47%	-2.36%	3.39%

<sup>^</sup> The net return figure is calculated after fees & expenses. Past performance is not a reliable indication of future performance

## Notable News

- **Influential:** We have elected to redeem our investment in Influential during the quarter, booking a 23.2% return on this investment. The business continues to trade well ahead of our initial expectations, however, would like to stay unlisted for a longer period of time given the expected growth to flow through in coming years and current equity market conditions.
- **Mason Stevens:** It was reported in the press over the quarter that Mason Stevens has mandated Barrenjoey to explore a potential sale or IPO process and is expected to undertake an NDR process in the coming months. The business continues to perform well and our investment valuation is priced attractively to listed peers.
- **Acusensus (ACE AU):** Acusensus reported its 3Q23 results in May, with revenue of A\$10.9m (+12.5% yoy growth) for the quarter. The company also reported a Net operating cash flow of A\$2.6m and a cash balance of \$24.6m. The group used this result to upgrade their full-year revenue guidance to between A\$41m and A\$42m which is up from A\$40m, and EBITDA to between A\$4.7m and A\$5.1m, up from A\$3.2m. Post this result, at the beginning of June, they were awarded their first enforcement contract in the United States of America, with an estimated value of US\$0.5m over the initial one-year term. This contract represents a pivotal step into one of the largest markets in the world for Acusensus.

## Unit Prices Since Inception



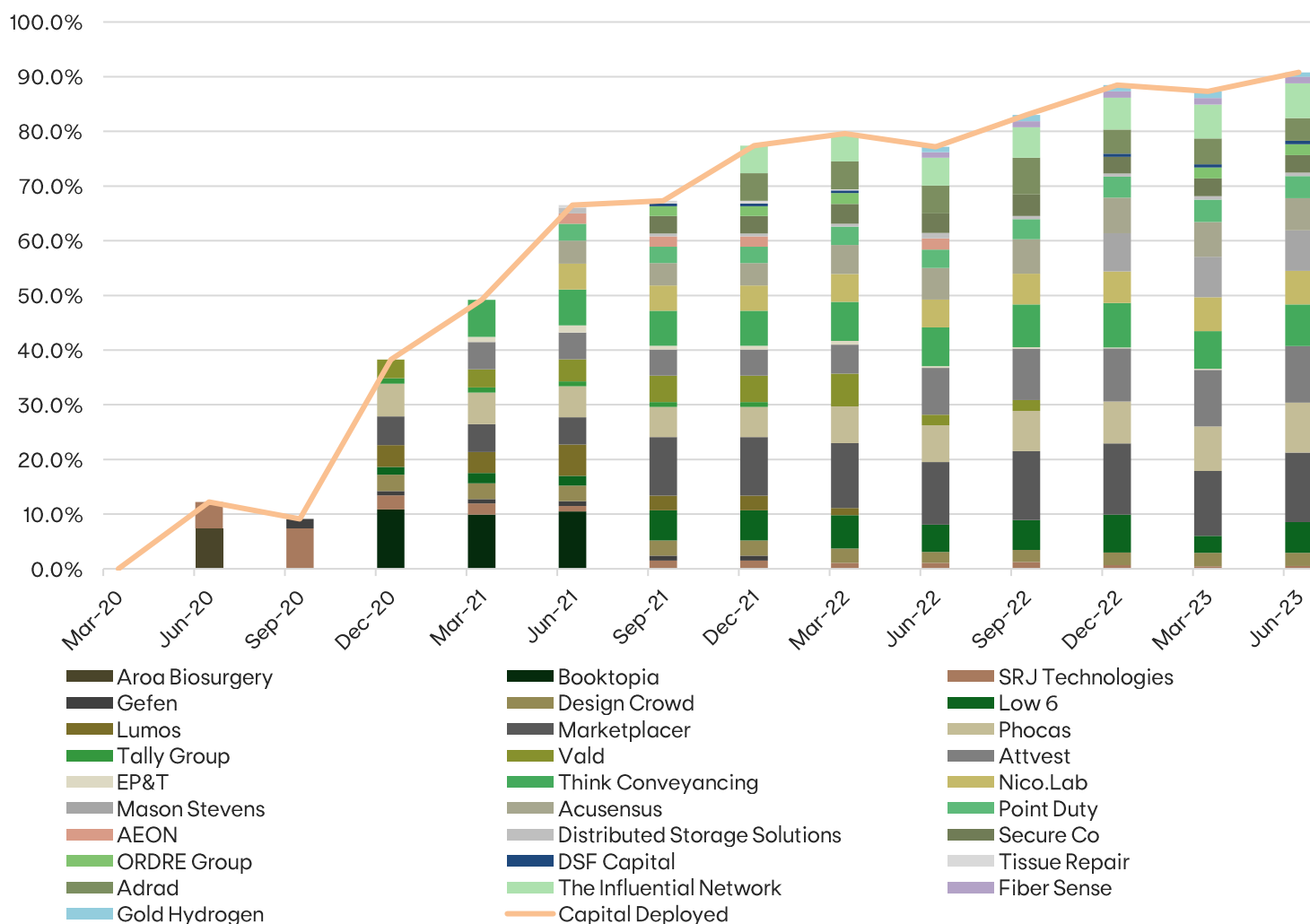
Source: Ellerston Capital.

## Holdings Summary

SECURITY	PORTFOLIO WEIGHT <sup>^</sup>
MARKETPLACER	12.70%
ATTVEST (CAPEVEST)	10.32%
PHOCAS	9.16%
MASON STEVENS	7.39%
DEEP BLUE COMPANY (THINK CONVEYANCING)	7.62%
OTHER CAPITAL DEPLOYED*	43.59%
CASH	9.23%
TOTAL	100.00%

Source: Ellerston Capital. \*Other capital deployed includes additional 13 holdings. ^Portfolio weights are calculated excluding the impact of distribution.

# Capital Deployed



Source: Ellerston Capital.

Our philosophy around pre-IPOs is very simple. We are looking for high-quality businesses that have clear pathways to IPO, offering opportunities to achieve superior returns with minimal correlation to the market. We are looking to achieve a 20% IRR and given the current state of the market, we believe we are well-placed to deliver on this target.

## Contact Us

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## Find out more

Should investors have any questions or queries regarding the Fund, please contact our Investor Relations team on **02 9021 7701** or **info@ellerstoncapital.com** or visit us at **ellerstoncapital.com**

All holding enquiries should be directed to our register, Automic Group on **1300 101 595** or **ellerstonfunds@automicgroup.com.au**

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